

Request for Proposals

For

Southwest Connecticut  
Emergency Capability

Prepared by:

**ISO New England Inc.**

*on behalf of the NEPOOL Market Participants*

December 1, 2003

## REQUEST FOR PROPOSALS

1. SCOPE: This Request for Proposals (“RFP”) describes the services requested from Suppliers to provide approximately 300 MW, depending on the characteristics of proposed projects, of quick start capacity in Southwest Connecticut (“SWCT”), through generation resources, demand response resources, or peak-load reducing Conservation and Load Management (“C&LM”) projects for a contract term of up to four years with an option to extend for one year.
2. DEFINITIONS: Capitalized terms used but not defined in this RFP are intended to have the same meaning given to such terms in Section 1 and Appendix E of Market Rule 1.
3. OVERVIEW: ISO New England Inc. (“ISO-NE”), is a not-for-profit, non-stock Delaware corporation responsible for directing the operation and control of New England’s bulk power system, administering the region’s wholesale electricity marketplace and the New England Power Pool’s (“NEPOOL’s”) Open Access Transmission Tariff (“OATT”), and is a public utility subject to regulation by the Federal Energy Regulatory Commission (“FERC”).

ISO-NE is seeking, on behalf of the NEPOOL market participants, to improve system reliability within SWCT at times of peak loads through the installation of additional generating capacity and identification of load reduction resources in conjunction with the ISO-NE Load Response Program (“LRP”). The NEPOOL Manual that specifies the details of the LRP in New England is attached to this RFP as Appendix A. SWCT is defined as the 54 towns listed in Appendix B. Pursuant to certain planning studies, ISO-NE has identified concerns regarding electric transmission reliability in the SWCT region. Under certain conditions, the electric load in the SWCT region could exceed the ability of the electric generating resources in the region, and the available transmission capacity to import electric energy into the region, to supply load. In these conditions, the generation and transmission within the region may not be able to supply the electric load without overloading lines or causing low voltages. The problem is particularly acute in the 16 preferred towns listed in Appendix B. Resources sited in these towns can address the reliability problem within the sub-region as well as the balance of SWCT.

4. OBJECTIVE OF THE REQUEST FOR PROPOSALS: The objective of this RFP is to solicit, evaluate, and select proposals, through a competitive solicitation process, from RFP respondents (“Bidders”) that can offer resources that will reduce the probability of involuntary load shedding in SWCT at a price that minimizes total expected cost while ensuring reliability in the region. Resources can be made available as early as June 1, 2004. Proposals will be considered for new resources available through May 31, 2009. Resources eligible to provide this service are (i) incremental capacity capable of 10-minute or 30-minute dispatch response (“quick start capacity”) through installation of capacity at new sites or incremental quick-start capacity installed at existing generating resources in SWCT, (ii) customer load reductions through firm load curtailments capable

of 10-minute or 30-minute dispatch response eligible to participate in the existing LRP, (iii) quick start emergency generation eligible to participate in the LRP, and (iv) C&LM projects that result in permanent load reductions during the on-peak periods defined in Section 6.4. Resources will be compensated under this RFP based on final negotiated bid prices and not through an auction mechanism.

5. RESERVED RIGHTS AND LIMITATIONS: ISO-NE reserves the right to withdraw this RFP at any time and to accept or reject any or all proposals received as a result of this RFP.

This RFP does not commit ISO-NE to award a contract or to be responsible or liable in any manner for any risks, costs or expenses incurred by any Bidder in the preparation of a proposal in response to this RFP or any revision of such a proposal.

6. SERVICES REQUESTED:

6.1. Capacity Requirements: ISO-NE is seeking approximately 300 MW of firm emergency load reduction, supplemental generation, or peak-load reducing C&LM projects to mitigate the potential reliability problems in SWCT during peak load conditions in that area.

6.2. Term of Purchase: ISO-NE is seeking proposals for a period of up to four years with an option for ISO-NE to extend for one additional year. Purchases will commence on or about June 1, 2004. Bidders can offer pricing for partial or full amounts of capacity, for single or multiple year contract terms and need not be available for the start of, or the full duration of, the supply period.

6.3. Eligible Resources: Five types of resources are qualified to provide the service contemplated in this solicitation. These resources are (a) new quick-start peaking capacity, (b) incremental quick-start capability at existing resources, (c) demand response resources capable of 10-minute or 30-minute dispatch response and eligible to participate in one of the LRP programs that provides for Installed Capacity ("ICAP") credit, (d) emergency generators capable of 10-minute or 30-minute dispatch response and eligible to participate in one of the LRP programs that provides for ICAP credit, or (e) C&LM projects that result in permanent load reductions during on-peak periods defined in Section 6.4. Existing capacity and C&LM projects are prohibited from providing the services contemplated in this RFP.

6.4. Form of Service: A Bidder chosen to provide service pursuant to this RFP (a "Supplier") will be responsible for activating load reductions or operating quick-start peaking capacity pursuant to dispatch instructions issued by ISO-NE. For demand response resources, the minimum run time is two hours. Services are required, at a minimum, during on-peak hours, defined as 7:00 am to 6:00 pm Monday through Friday on non-holidays. For generation resources, the minimum run time is one hour. Services are required, at a minimum, during on-peak hours, defined as 7:00 am to 10:00 pm Monday through Friday on non-holidays. For C&LM projects, the Supplier must demonstrate resource availability to reduce load coincident with on-peak hours, defined as 7:00 am to 6:00 pm Monday through Friday on non-holidays.

6.4.1. New Peaking Capacity: New quick-start peaking generating units that can be sited and interconnected to the grid before May 31, 2008 are considered eligible resources. Resources which have not yet submitted an interconnection application or which are not otherwise accounted for in ISO-NE's planning process are considered eligible resources. New peaking generating units are not required to enroll in the LRP and will be treated as ordinary generating assets for the purposes of energy bidding and dispatch. Resources not enrolling as an emergency generator through the LRP must be dispatchable by ISO-NE. The units must have a minimum capacity rating of 100 kW and meet applicable interconnection standards. Units having a capacity rating greater than 5 MW must comply with the interconnection process required by Section 18.4 of the Restated NEPOOL Agreement. ISO-NE will expedite any studies required to ascertain if the proposed resource meets the interconnection standard requirements. Bidders must begin discussions with ISO-NE on the interconnection process as soon as possible. The Bidder is solely responsible for obtaining the required environmental permits and satisfying all applicable regulatory requirements.

Fully environmentally permitted resources must offer energy in the Day-Ahead and Real-Time Energy Markets as ordinary generating assets and may be eligible to set Locational Marginal Price in accordance with Market Rule 1. In addition, these units must be listed as ICAP resources and are required to participate in the ICAP market.<sup>1</sup> These resources will count toward meeting any local ICAP sourcing requirement.

Resources with emergency-only environmental permits will be required to enroll in the LRP as described in Section 6.4.3.

Guidelines to assist Bidders in evaluating permitting requirements and identifying the types of facilities and sites eligible for expedited permitting treatment are contained in Appendix C.

6.4.2 Incremental Existing Capacity: Although existing quick-start capacity is not eligible to provide the services contemplated in this solicitation, increased capability from existing resources that meet the quick-start peaking requirements are eligible to participate.

Incremental existing quick-start capacity is not required to enroll in the LRP. The incremental increase in capacity installed at an existing resource must be measured and validated in accordance with the provisions of NEPOOL Manual 20 (ICAP). For purposes of measuring and validating incremental capacity, the baseline shall be the summer peak rating of the resource as demonstrated in the summer prior to the installation of the incremental capacity increase. The incremental capability would be the difference between the summer ratings in the year before and after the installation. Incremental capacity resources must offer energy in the Day-Ahead and Real-Time Energy Markets and may be eligible to set Locational Marginal Price in accordance

---

<sup>1</sup> For purposes of this RFP, the ICAP market includes any successor capacity market mechanism, including but not limited to a locational ICAP market mechanism.

with Market Rule 1 . In addition, incremental capacity resources are required to participate in the ICAP market. These resources will count toward meeting any local ICAP sourcing requirement.

6.4.3. Load Response Resources: When requested by ISO-NE, load response resources will be required to reduce load within 10 or 30 minutes, as applicable to the resource type, in accordance with the program parameters described above and the LRP Manual. Load will be reduced by the accepted bid amount at a price in accordance with the LRP. Load curtailments may include suspension of process operation, lighting reductions, and suspension/reduction of air conditioning load. Baseload set points and load reductions will be verified through the applicable metering and verification provisions of the LRP. The minimum load reduction at each site will be 100 kW. Load response resources must enroll in an LRP program that provides ICAP credit in order to provide the services contemplated in this RFP.

6.4.4. Emergency Generators: Emergency generators will be required to respond to Dispatch Instructions within 10 or 30 minutes by the accepted bid amount at a price in accordance the LRP. The minimum load reduction at each site will be 100 kW. The emergency generators may operate in non-synchronous or synchronous mode with no export to the transmission grid. These generators must enroll in an LRP program that provides for ICAP credit.

6.4.5. C&LM Projects: Eligible C&LM projects will be required to demonstrate availability to reduce loads during on-peak hours. These projects will be required to demonstrate that actual load reductions were coincident with ISO-NE's requested load reductions from Demand Response Resources as described in Section 6.4.3. Additionally, any C&LM project proposed in response to this RFP must pass a cost/benefit test developed by the Connecticut Department of Public Utility Control ("CTDPUC") specifically for this RFP as shown in Appendix D. Eligible C&LM projects may include, but are not limited to, permanently installed retrofits to lighting, motors, refrigeration, HVAC, and controls. The minimum load reduction for each asset will be 100 kW. Availability during on-peak periods can be demonstrated through the use of hourly consumption and/or equipment operating data as per a monitoring and verification plan approved by ISO-NE. Coincident on-peak reductions will be verified through the use of interval electric meters or alternative metering and verification plans approved by ISO-NE.

6.5. Payments: Payments to a Supplier for the services provided pursuant to the RFP will be comprised of the final negotiated monthly capacity payment, net of any revenues received in the ICAP market based on the price at which ICAP load shifting is settled. If ICAP revenue exceeds the applicable monthly capacity payment, the resource will receive only ICAP revenue due instead of the monthly capacity payment. Resources may retain any non-ICAP market-related revenues due them for other market products (such as energy) provided. All payments will be made monthly through the ISO-NE settlements system directly to the NEPOOL

Participant or sponsor, as applicable. Payments to individual electric customers will be made in accordance with the agreement between the sponsoring NEPOOL Participant and the individual electric customer.

6.5.1. Other Market Revenues: Load response and emergency generator resources may receive payment for energy in accordance with the LRP. New and incremental peaking capacity may receive revenue for energy in accordance with Market Rule 1 and Manual 28. C&LM projects generally would not be eligible for energy payments under Market Rule 1.

6.6. Metering and Verification: For resources enrolled in the LRP, metering and verification will be conducted in accordance with NEPOOL Manual LRP. An Internet-Based Communication System ("IBCS") through an ISO-NE approved provider and either an interval meter or an ISO-NE approved metering and verification plan are required. C&LM projects will require metering and verification in accordance with the LRP manual or as otherwise approved by ISO-NE to demonstrate load reductions coincident with ISO-NE's operation of demand response resources. In addition, C&LM projects are required to submit detailed monitoring and verification plans consistent with the International Performance & Verification Protocol (Revised March 2002) to demonstrate both availability and performance of on-peak load reductions. For new and incremental peaking capacity, metering and verification will be conducted in accordance with the provisions of NEPOOL OP-14, Section B. No real-time telemetering is required unless mandated by an interconnection agreement.

7. BIDDER REQUIREMENTS: Provided below is a summary of the requested information. To simplify the evaluation process and to allow for an accurate comparison of proposals, ISO-NE is requiring Bidders to submit their responses in tabbed form and in the following order:

7.1. SCHEDULE 1 - BIDDER BACKGROUND: Proposals must include a brief description of the Bidder; its purpose, legal status (*e.g.*, sole proprietorship, partnership, limited partnership, joint venture, or corporation), date of establishment, state of incorporation, residency, or organization; a list of its affiliates; and a principal contact person. To be considered eligible to participate in this RFP, the Bidder must be a NEPOOL Participant. Non-Participants, including end users, can participate by making appropriate arrangements with a NEPOOL Participant.

7.2 SCHEDULE 2 - FINANCIAL VIABILITY: ISO-NE requires that the Supplier be a financially stable and viable entity. A Supplier will be required to provide a letter of credit, corporate guarantee, or satisfy the requirements of the NEPOOL Financial Assurance Policy. Proof of compliance with this requirement must be received by the ISO-NE no later than seven calendar days after written notification of a winning bid. Proposals must provide information on the Bidder's financial status (bond rating, 2002 annual report and any available information regarding 2003 financial performance) and the type of financial assurance that will be used to satisfy the above requirements.

- 7.3. **SCHEDULE 3 – RESOURCE INFORMATION:** Bidders must describe their resource attributes by completing the form shown in Appendix E. In addition, Bidders must provide a description of the permit status, interconnection details, and all pertinent air emissions and other permit information.
- 7.4. **SCHEDULE 4 – PROPOSAL PRICING:** Bidders must specify price in the form of a monthly capacity payment. Bidders must also specify the proposed resource type, kW amount for the full capacity amount or partial amounts of capacity. Bids associated with generating resources must also provide a unit heat rate and other technical information to allow an expected energy price to be derived for evaluation purposes. Bidders should use the pricing tables included as Appendix F for each year that prices are proposed. While a bid must include a pricing structure in accordance with the provisions of this section, a Bidder may also propose alternative pricing structures which the ISO, in its sole discretion, may evaluate.
- 7.5. **SCHEDULE 5 - ACCEPTANCE OF THE MODEL CONTRACT:** ISO-NE seeks to expedite the contract negotiation process and commence the procurement of the services described in this solicitation. Bidders are required to clearly indicate any exceptions to the language contained in the model contract, attached as Appendix G and propose alternative contract language for evaluation. ISO-NE will give preference to proposals that do not take exceptions, or propose modifications, to the model contract.
- 7.6. **SCHEDULE 6 - LITIGATION, PENALTIES, AND DEFAULTS:** Bidders shall provide a description of any and all indictments or pending litigation by any foreign or domestic federal, state, or local jurisdiction relating to the company, any officer, director, partner or member thereof, any affiliate or related entity. In addition, Bidders shall provide a detailed description of any situation in which the Bidder (either alone or as part of a joint venture), or a subsidiary of the Bidder has been determined in writing by a court or arbitration panel to have breached or defaulted under any agreement related to the provision of services similar to those described in this solicitation, including any financing agreements, and the resolution of such breach or default.

## 8. INSTRUCTIONS TO BIDDERS

- 8.1. **Schedule of the Process:** The solicitation and evaluation process is as follows:

RFP Issued	December 1, 2003
Receipt of Proposals	January 7, 2004
Bid Evaluation/Contract Negotiations	Month of January
Winning Bidder(s) Selected	February 16, 2004
Service Commences	June 1, 2004

- 8.2 **Supplier Solicitation Questions:** All inquiries pertaining to the RFP or the solicitation process shall be directed to ISO-NE's Official Contacts. The Official Contacts for this solicitation are:

Mr. Mark Karl  
Manager, Markets Design  
ISO New England Inc.  
1 Sullivan Road  
Holyoke, MA 01040  
Phone: 413-535-4420  
Fax: 413-540-4226  
E-mail: [mkarl@iso-ne.com](mailto:mkarl@iso-ne.com)

Ms. Danielle Powers  
Principal Analyst  
ISO New England Inc.  
1 Sullivan Road  
Holyoke, MA 01040  
Phone: 413-535-4168  
Fax: 413-540-4226  
E-mail: [dpowers@iso-ne.com](mailto:dpowers@iso-ne.com)

Questions involving permitting requirements should be directed to the Connecticut Siting Council or the Connecticut Department of Environmental Protection to the contacts below:

S. Derek Phelps, Executive Director  
Connecticut Siting Council  
Ten Franklin Square  
New Britain, CT 06051  
(860) 827-2935

Nicole Lugli  
Office of the Commissioner  
Connecticut Department of Environmental Protection  
79 Elm Street  
Hartford, CT 06106  
(860) 424-3001

- 8.3 Submission of Proposals: One original and five (5) copies of the proposal must be received by ISO-NE by 3:00 p.m. Eastern Standard Time on January 7, 2004. Bids should be submitted to:

Mr. Donald Ryan  
Manager, Market Contracts, Analysis & Training  
ISO New England Inc.  
1 Sullivan Road  
Holyoke, MA 01040

Proposals should be submitted in a sealed envelope clearly marked "ISO-NE Request for Proposals." Faxed or electronically transmitted responses will be accepted prior to the deadline, but these must be followed by the hard copies on the proposal due date. Submission of an incomplete proposal after the above deadline may result in disqualification of the proposal. In addition, proposals must contain the signature of an officer or agent of the Bidder duly authorized to execute such a document. Proposals without such a signature will not be considered.



- 8.4 ISO-NE, at its sole discretion, may request additional information to verify the information contained in a proposal, or seek clarification of any item in a proposal.
- 8.5 All inquiries regarding this solicitation should be directed to the Official Contacts noted in Section 8.2 above. All questions from Bidders shall be submitted in writing via e-mail to the Official Contacts. Only written answers to these questions from the ISO-NE Official Contacts are binding. Any addendum resulting from the questions will be emailed to Bidders. It is the Bidder's responsibility to periodically check their email or otherwise monitor for the release of additional information concerning this RFP.
- 8.6 Once the RFP has been issued, the Official Contacts noted above are the only persons to contact concerning this RFP. Bidders shall not contact any other ISO-NE employees regarding issues pertaining to this RFP, except for issues pertaining to siting or permit requirements directed to the contacts listed in Section 8.2 above. Instructions for participating in this proposal process and information regarding this project will be provided only through this RFP and any written addendum.
- 8.7 By acceptance of this RFP, each Bidder agrees not to release advertising or publicity matter pertaining to this RFP and/or any proposals resulting therefrom or pertaining to the performance of the services, without prior written approval of ISO-NE.

A proposal may include proprietary data that the Bidder does not want disclosed to the public or used by ISO-NE for any purpose other than proposal evaluation. Unless proprietary data is identified, ISO-NE cannot assume responsibility for the use of such data. Therefore, proprietary data should be specifically identified as such on every page where the same may be contained, in which event it will be used by ISO-NE or its designated representatives, including staff and consultants, solely for the purpose of evaluating the proposal. In such cases, reasonable care will be exercised so that the proprietary data, so identified, will not be disclosed or used without the Bidder's permission except to the extent provided in any resulting contract or the extent required by law. This restriction does not limit ISO-NE's right to use or disclose any data contained in the proposal if it is obtainable from another source, or was obtained from the bidder on a previous occasion without restriction.

- 8.8 All costs associated with developing or submitting a proposal in response to this RFP, or providing oral or written clarification of its contents shall be borne by the Bidder.
- 8.9 The Bidder shall not discriminate against any employee, applicant for employment, independent contractor or any other person because of race, color, religious creed, ancestry, national origin, age, sex, pregnancy, sexual orientation, marital status, veteran status or handicap or disability, or any other class protected by applicable law.

The Bidder shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities as well as with any applicable affirmative action requirements, and shall provide a certificate to such effect if selected as the consultant. In the event of the Bidder's

noncompliance with this provision or with any such laws, the Agreement may be terminated or suspended, as a whole or in part, and the Bidder may be declared temporarily ineligible for further ISO-NE contracts, and other sanctions may be imposed and remedies invoked.

If requested by ISO-NE, the Bidder shall furnish all necessary employment documents and records to, and permit access to its books, records, and accounts by, ISO-NE for purposes of investigation to ascertain compliance with the provisions of this Request for Proposal. If the Bidder does not possess documents or records reflecting the information requested, it shall furnish such information on reporting forms supplied by ISO-NE.

## 9. EVALUATION PROCESS:

- 9.1 Evaluation: Each proposal should include the information detailed in Section 7 above in sufficient detail to permit accurate evaluation of the proposal. Emphasis should be placed on brevity, completeness, and clarity of content.

ISO-NE will select successful Bidders based on the general objective of minimizing expected total cost for technically feasible projects. Resources not requiring environmental permits will be viewed favorably. Resources with full environmental permits will be evaluated more favorably than those with emergency-only permits. In addition to price, the evaluation process will include an analysis of:

- ☐ Location;
- ☐ Resource permitting and siting likelihood and timing;
- ☐ Expected in-service date;
- ☐ Interconnection requirements/transmission upgrades, as applicable;
- ☐ Bidder's financial viability;
- ☐ Exceptions to the model contract; and
- ☐ Any other factors deemed relevant by ISO-NE.

ISO-NE may, in its sole discretion, decline to accept or evaluate any proposals received from prospective bidders after the submission deadline.

- 9.2 Contract Negotiations: A standard contract has been provided in Appendix G as part of this solicitation package for purposes of expediting the negotiation process. The Bidder is required to identify any and all exceptions or proposed changes to the terms and conditions of this contract, and propose alternative contract language for evaluation as part of its proposal. Failure of a Bidder to negotiate in good faith or to delay the process could result in termination of negotiations and selection of an alternative Supplier.